

ARGEX MINING INC.

RGX-TSX.V : \$0.37 - STRONG BUY

12 MONTH TARGET PRICE: \$2.00 | PROJECTED RETURN: 456%
VALUATION: 20% DISCOUNT APPLIED TO NAV OF LA BLACHE MINE ALONE

ARGEX HAS HUGE POTENTIAL AS CTL PROCESS PROVES SCALABLE

EVENT – INITIATING COVERAGE

INVESTMENT OPINION – STRONG BUY RECOMMENDATION AND AN INITIAL TARGET OF \$2.00 PER SHARE

The Company plans to start production at a rate of 15,000 tonnes per year of TiO₂ in 2013 with an industrial size test plant and to ramp this up to 600,000 tonnes of TiO₂ by the year 2020. At that rate Argex would be supplying 10% of the world's TiO₂ market.

The critical factors are:

- Near-term completion of planned acquisition of Canada Titanium Ltd (CTL)
- Completion of NI-43-101 PEA and possibly a pre-feasibility study this fall
- Completion of permitting
- Announcement of product sales or off-take agreements or joint ventures
- Funding
- Future prices of TiO₂, V₂O₅ and iron ore
- Construction of a 15,000 tpy industrial scale TiO₂ recovery plant
- Successful start-up of an industrial plant to prove scalability in 2013

After the completion of the CTL acquisition, the most important of the above factors is successful scalability.

ACTION – A MULTI-BAGGER IN THE MAKING

In a worst-case scenario, Argex at \$0.37, has the potential to be a "Five Bagger" while simultaneously acting as a perpetual call option on the anticipated success of the scalability of the TiO₂ processing plant where the reward could be an "Eighty-Six Bagger" as the process is de-risked and the NPV discount rate drops to 10% pushing its value to \$31 per share. The biggest part of the stock price move should be in 2013 as the first plant starts operating successfully. We recommend investors aggressively build or add to a position in Argex at current levels.

VALUATION – PROJECT NPV SUGGESTS SHARES ARE CHEAP

The Company's long-term plan to produce 600,000 tpy TiO₂ by 2020 is achievable and would result today in the following after-tax NPVs of forecast cash-flow solely from Argex's own production through the end of the next decade.

Discount Rate	NPV	Per Share*
10%	\$ 3.6 Billion	\$31
15%	\$ 2.0 Billion	\$17
20%	\$ 1.1 Billion	\$10

*Assumes additional 30 million shares issued

Tony Hayes, CFA, Metals & Mining Specialist
tony.hayes@europac.ca

MARKET DATA (as of August 24, 2011)

Market Capitalization (\$M)	33
Current Net Debt (\$M)	-3
Enterprise Value (\$M)	30
Basic S/O (M)	88.7
Fully Diluted S/O (M)	145.0
Avg Daily Volume (3mo, k)	139.0
52 Week Range (\$)	0.24-0.92

KEY FINANCIAL METRICS

FY-Dec 31	2012E	2013E	2014E	2015E
Rev. (\$M)	0	38	80	392
Change	---	---	---	---
EV/S	n/a	0.8	0.4	0.1
EBITDA (\$M)	0	29	67	331
Change	---	---	---	---
EV/EBITDA	n/a	1.0	0.4	0.1
Quarterly EPS (\$) (adj)				
Quarter 1	0.00	0.00	0.16	0.60
Quarter 2	0.00	0.00	0.16	0.60
Quarter 3	0.00	0.16	0.17	0.65
Quarter 4	0.00	0.16	0.17	0.85
F.Y. Total	0.00	0.32	0.65	2.70
Change	---	---	---	---
P/E	n/a	1.1	0.6	0.1

COMPANY DESCRIPTION

Argex is in transition from a successful exploration company with titanium, iron and vanadium properties to a development and producing company with a Letter Of Intent to acquire a 51% interest Canada Titanium Ltd. which has some very promising, low-cost, patented and proprietary technology for the recovery of TiO₂, V₂O₅ and Iron.

KEY RISKS – ABOVE AVERAGE

- failure to acquire control of CTL
- inability to scale process

UPCOMING EVENTS/CATALYSTS

- near-term closing of acquisition of CTL
- NI-43-101 PEA and possibly pre-feasibility study this fall



Toronto
121 Richmond Street, Suite 200
Toronto, ON, M5H 2K1
416-649-4273 | 888-216-9779

Montreal
1501 Mc Gill College Avenue Suite 1450
Montréal, Québec H3A 3M8
416-649-4273 | 888-216-9779

Vancouver
One Bentall Centre, 505 Burrard Street,
Box 76, Vancouver BC V7X 1M4
416-649-4273 | 888-216-9779

ANALYSIS

DOWNSIDE SCENARIO STILL YIELDS UPSIDE FOR THE SHARES

- At \$0.37 per share Argex is trading at its NPV calculated using a 72% discount rate.
- This is considered too severe given that the Company's 43-101 compliant La Blache resource could be operated as a simple quarry with the ore sold as material for lining furnaces at \$150 per tonne with a mining cost of \$50 per tonne.
- At 50,000 tonnes per month this would generate a pre-tax cash flow of \$60 million per year. Assuming a mine life of just 10 years this translates into an after-tax NPV of \$2 per share with a 20% discount rate.
- Assuming a worst case scenario for the TiO₂ recovery process where scalability does not work, the shares of Argex are trading below fair value based solely on La Blache.
- By comparison as the recovery process is proven scalable, the upside is potential is multi-fold over the next three years, just to a match the NPV of \$10 per share using a 20% discount rate.

EURO PACIFIC CANADA INC. RESEARCH DISCLOSURES

ANALYST CERTIFICATION

Company: Argex Mining Inc.

Ticker: RGX – TSX.V

I, Tony Hayes, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that I have not, am not, and will not receive, directly or indirectly, compensation in exchange for expressing the specific recommendations or views in this report.

COMPANY SPECIFIC DISCLOSURES

Is this an issuer related or industry related publication?	Issuer
Does the Analyst or any member of the Analyst’s household have a financial interest in the securities of the subject issuer? If Yes: 1) Is it a long or short position? NA; and, 2) What type of security is it? NA	No
Does the Analyst or household member serve as a Director or Officer or Advisory Board Member of the issuer?	No
Does Euro Pacific Canada Inc. or the Analyst have any actual material conflicts of interest with the issuer?	No
Does Euro Pacific Canada Inc. and/or one or more entities affiliated with Euro Pacific Canada Inc. beneficially own common shares (or any other class of common equity securities) of this issuer which constitutes more than 1% of the presently issued and outstanding shares of the issuer?	No
During the last 12 months, has Euro Pacific Canada Inc. provided financial advice to and/or, either on its own or as a syndicate member, participated in a public offering, or private placement of securities of this issuer?	No
During the last 12 months, has Euro Pacific Canada Inc. received compensation for having provided investment banking or related services to this Issuer?	No
Has the Analyst had an onsite visit with the Issuer within the last 12 months?	Yes
Has the Analyst been compensated for travel expenses incurred as a result of an onsite visit with the Issuer within the last 12 months?	No
Has the Analyst received any compensation from the subject company in the past 12 months?	No
Is Euro Pacific Canada Inc. a market maker in the issuer’s securities at the date of this report?	No

U.K. DISCLOSURES

This research report was prepared by Euro Pacific Canada Inc., a member of the Investment Industry Regulatory Organization of Canada and the Canadian Investor Protection Fund EURO PACIFIC CANADA INC. IS NOT SUBJECT TO U.K. RULES WITH REGARD TO THE PREPARATION OF RESEARCH REPORTS AND THE INDEPENDENCE OF ANALYSTS. The contents hereof are intended solely for the use of, and may only be issued or passed onto persons described in part VI of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001. This report does not constitute an offer to sell or the solicitation of an offer to buy any of the securities discussed herein.

U.S. DISCLOSURES

This research report was prepared by Euro Pacific Canada Inc., a member of the Investment Industry Regulatory Organization of Canada and the Canadian Investor Protection Fund. This report does not constitute an offer to sell or the solicitation of an offer to buy any of the securities discussed herein. Euro Pacific Canada Inc. is not registered as a broker-dealer in the United States. The firm that prepared this report may not be subject to U.S. rules regarding the preparation of research reports and the independence of research analysts.